

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 EB-08 H-01 COME-00 DOE-11 SOE-02
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E.O. 11652: N/A
TAGS: ENRG, EINV, LI
SUBJECT: LIBERIA REFINING COMPANY (LRC)

REFS: MONROVIA 1350, STATE 44158

1. AMBASSADOR AND EMBOFF CALLED ON DEPUTY FINANCE MINISTER PADMORE TODAY FOR UPDATE ON GOL AND SUN/DYNALECTRON SITUATION.
2. PADMORE WAS MOST ANXIOUS TO PRESENT GOL'S POSITION AND STATED THAT FAR FROM NEGOTIATING IN BAD FAITH, HE FELT THAT THE GOVT HAD MADE EVERY EFFORT TO RECONCILE THE OUT-STANDING DIFFERENCES BETWEEN THE PARTIES IN CONFLICT AND WAS STILL ANXIOUS FOR AN AMICABLE BUT EQUITABLE SOLUTION.
3. WITH REFERENCE TO THE ADDITIONAL CLAIMS AMOUNTING TO \$3.4 MILLION, PADMORE SAID THAT \$1.65 MILLION WAS FOR PRODUCTS WHICH THE GOL HAD IMPORTED AT ITS OWN COST BUT RECEIPTS OF WHICH HAD BEEN DEPOSITED IN THE LRC ACCOUNT. PADMORE SAID THAT THIS HAD BEEN VERIFIED BY SEVERAL AUDITS AND WAS KNOWN TO SUN/DYNALECTRON. THE \$1.7 MILLION CLAIMED BY THE GOVT FOR CONSULAR FEES, NATIONAL PORT AUTHORITY CHARGES, TAXES, AND SO FORTH, WAS A SUM WHICH ALL PARTIES WERE AWARE OF BUT IT HAD NEVER BEEN DIRECTLY ADDRESSED IN ANY PRIOR NEGOTIATIONS. PADMORE SURMISES THAT SUN/DYNALECTRON SIMPLY ASSUMED OR HOPED THAT THIS AMOUNT

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WOULD BE WAIVED.

4. ACCORDING TO PADMORE'S CALCULATION, THIS LEAVES A SHORTFALL OF ABOUT \$3 MILLION WHICH WOULD BE DUE TO SMALL CREDITORS, PRINCIPALLY LIBERIAN. HE SAID THAT SUN/DYNALECTRON HAS ALWAYS BEEN PREPARED TO DEAL WITH A DEFICIT IN THE RANGE OF \$2.1 TO \$2.5 MILLION SO THAT THE PRINCIPALS MAY NOT BE AS FAR APART

AS IT WOULD APPEAR.

5. PADMORE BELIEVES THAT HE CAN URGE UPON THE GOL SOME ADDITIONAL COMPROMISE BUT THAT HE COULD ONLY DO SO IF HE HAD AN INDICATION IN ADVANCE FROM SUN/DYNALECTRON AS TO WHAT CONCESSIONS THEY MIGHT BE PREPARED TO MAKE. PADMORE INTENDS TO LEAVE FOR NEW YORK ON SUNDAY, 5 MARCH AND IS PREPARED TO CONTINUE NEGOTIATIONS AS OF 6 MARCH. HE INSISTS THAT GOL IS ANXIOUS TO FIND A SOLUTION BUT NEEDS TO DO SO WITHIN THE FRAMEWORK OF CONSTRUCTIVE NEGOTIATIONS.

6. COMMENT: IT APPEARS TO THE EMBASSY THAT THERE HAVE BEEN SOME HONEST MISUNDERSTANDINGS AND FAULTY ASSUMPTIONS ON THE PART OF ALL THE PARTICIPANTS. OUR CONVERSATIONS DO NOT LEAD US TO CONCLUDE THAT THE GOL HAS NEGOTIATED IN BAD FAITH, ALBEIT THEY MAY NOT HAVE STAFFED OUT THIS SITUATION AS THOROUGHLY AS ONE WOULD HAVE WISHED. WHILE PRESIDENT TOLBERT HAS BEEN BRIEFED ON THIS SITUATION IN GENERAL, HE HAS NOT BEEN PRESENTED WITH A FINAL SITREP BECAUSE THE MINISTER OF FINANCE WOULD LIKE TO BE ASSURED A CHANCE OF SUCCESS IN THEIR NEGOTIATING EFFORT BEFORE GETTING TOLBERT'S FINAL POSITION. PADMORE VERY MUCH FEARS PUSHING TOLBERT FOR MORE CONCESSIONS AND THEN HAVING SUN/DYNALECTRON REJECT THEM OUT OF HAND NEXT WEEK. (FYI: GOL HAS UPPED ITS OFFER FROM \$6 TO \$9 MILLION IN THE COURSE OF THESE NEGOTIATIONS, AS WELL AS HAVING MADE OTHER CONCESSIONS.)

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7. A POSSIBLE SOLUTION MIGHT GO AS FOLLOWS: GOL WILL INSIST ON GETTING BACK THE \$1.65 MILLION FOR PRODUCTS SOLD AND PAYMENTS RECEIVED BY LRC. THEY MIGHT THEN BE URGED TO WAIVE THE \$1.7 MILLION IN CONSULAR FEES, NPA CHARGES, ETC. THE BALANCE OF CLAIMS TO SMALL CREDITORS MIGHT THEN BE PAID 40 CENTS TO 50 CENTS ON THE DOLLAR. THIS WAY, EVERYONE WOULD LOSE A LITTLE BIT BUT NO ONE WOULD BE FORCED TO "TAKE A BATH".

CARTER

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